

### Subpart A—Real Estate Tax Servicing

#### § 1925.1 General.

This Instruction applies to borrowers with Rural Rental Housing (RRH), Rural Cooperative Housing (RCH), Labor Housing (LH), and Non-Program (NP) loans secured by real estate. It also applies to section 502 and section 504 Rural Housing borrowers (Single Family Housing (SFH)) who also have a Farmer Program loan. It does not apply to borrowers who have a SFH loan only; those will be serviced under 7 CFR part 3550. Borrowers are responsible for paying taxes on the real estate security to the proper taxing authorities before taxes become delinquent. This obligation is set forth in the security instrument securing the loan. This subpart is inapplicable to Farm Service Agency, Farm Loan Programs.

[57 FR 36590, Aug. 14, 1992, as amended at 67 FR 78327, Dec. 24, 2002; 72 FR 64122, Nov. 15, 2007]

#### § 1925.2 Definition of tax.

For the purpose of this instruction, the word “tax” means all taxes, assessments, levies, irrigation and water charges or other similar obligations which are or will, on nonpayment, become a lien upon the real estate prior to the mortgage securing the Farmers Home Administration (FmHA) or its successor agency under Public Law 103-354 loan.

#### § 1925.3 Servicing taxes.

(a) The County Supervisor will be responsible for ascertaining that all mortgaged real estate is listed properly for tax purposes.

(b) The County Supervisor will be responsible for taking all actions in connection with taxes as may be necessary to protect the Government’s security interests. Any unusual situations that may arise with respect to tax servicing should be referred to the State Office for consideration.

(c) The County Supervisor will encourage each borrower to pay taxes promptly in order to avoid any penalties. Normally, this can be accomplished through routine servicing of loans by emphasizing the advantages of

setting aside sufficient income to meet tax obligations when they become due. Taxes will be adequately budgeted for those borrowers with whom Form FmHA or its successor agency under Public Law 103-354 431-2, “Farm and Home Plan,” is developed. Each borrower will be encouraged to notify the County Supervisor when he has paid his taxes. After the delinquent date, it will be necessary for the County Supervisor to determine the borrowers whose taxes are delinquent. The Multi-Family Housing Information System (MFIS) will be used in posting servicing actions on delinquent taxes.

[57 FR 36590, Aug. 14, 1992, as amended at 69 FR 69104, Nov. 26, 2004]

#### § 1925.4 Servicing delinquent taxes.

(a) The County Supervisor will contact each borrower with a delinquent tax and make every practical effort to have him pay the tax with his own funds. He will use the Management System Card for follow-up of delinquent taxes. If the delinquent tax is not paid and the borrower comes to the office with proceeds for application on the FmHA or its successor agency under Public Law 103-354 account secured by the real estate, the County Office personnel will endeavor to get the borrower to use the proceeds to pay the delinquent tax. If the amount of the delinquent tax is less than the amount of the proposed payment, the difference will be applied on the FmHA or its successor agency under Public Law 103-354 account in accordance with the policy outlined in subpart A of part 1951 of this chapter.

(b) Prior (usually about 90 days) to the time it is legally possible for action to be taken that will cause the borrower to lose title or right of possessions of the security property or the use of essential water, the County Supervisor will contact the borrower and definitely determine if he will pay the delinquent tax immediately. If the borrower is unable or unwilling to pay the delinquent tax with his own funds after every appropriate effort has been made to have him do so, the County Supervisor will refer to FmHA or its successor agency under Public Law 103-354 Instruction 2024-A and utilize the Type 60 Purchase Order System to pay the

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amount of the delinquent taxes plus the amount of any accrued penalty to bring taxes current.

(1) In an exceptional case where reasons for delinquent taxes have been removed and planned income during the next year covers payment of current obligations plus delinquent taxes not vouchered, only the delinquent taxes will be paid that could cause the borrower to lose title or right of possession of security property.

(2) If the Government is holding a mortgage other than a first mortgage on the property, do not initiate payment request until the County Supervisor has determined that (i) the prior lien holder will not pay the delinquent tax, (ii) the Government's security will be jeopardized if the delinquent tax is not paid, and (iii) the value of the security is sufficient to justify the advance.

[57 FR 36590, Aug. 14, 1992, as amended at 67 FR 78327, Dec. 24, 2002]

**§§ 1925.5–1925.50 [Reserved]**

**PART 1927—TITLE CLEARANCE AND LOAN CLOSING**

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1927.100 OMB control number.

AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 42 U.S.C. 1480.

SOURCE: 61 FR 11711, Mar. 22, 1996, unless otherwise noted.

**Subpart A [Reserved]**

**7 CFR Ch. XVIII (1–1–08 Edition)**

**Subpart B—Real Estate Title Clearance and Loan Closing**

**§ 1927.51 General.**

(a) *Types of loans covered by this subpart.* This subpart sets forth the authorities, policies, and procedures for real estate title clearance and closing of loans, assumptions, voluntary conveyances and credit sales in connection with the following types of Rural Housing Service (RHS), Rural Housing (RH), Farm Labor Housing (LH), Rural Rental Housing (RRH), Rural Cooperative Housing (RCH), and NonProgram (NP) loans. This subpart does not apply to guaranteed loans. This subpart is inapplicable to Farm Service Agency, Farm Loan Programs.

(b) *Programs not covered by this subpart.* Title clearance and closing for all other types of agency loans and assumptions will be handled as provided in the applicable program instructions or as provided in special authorizations from the National Office.

(c) [Reserved]

(d) Copies of all agency forms referenced in this regulation and the agency's internal administrative procedures for title clearance and loan closing are available upon request from the agency's State Office. Forms and title clearance and loan closing requirements which are specific for any individual state must be obtained from the agency State Office for that state.

[61 FR 11711, Mar. 22, 1996, as amended at 72 FR 64122, Nov. 15, 2007]

**§ 1927.52 Definitions.**

*Agency.* The Rural Housing Service (RHS) and Farm Service Agency (FSA) or their successor agencies.

*Approval official.* The agency employee who has been delegated the authority to approve, close, and service the particular kind of loan, will approve an attorney or title company as closing agent for the loans. If a loan must be approved at a higher level, the initiating office may approve the closing agent.

*Approved attorney.* A duly licensed attorney, approved by the agency, who provides title opinions directly to the agency and the borrower or upon whose certification of title an approved title